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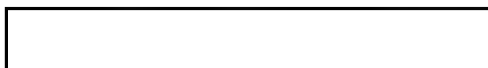
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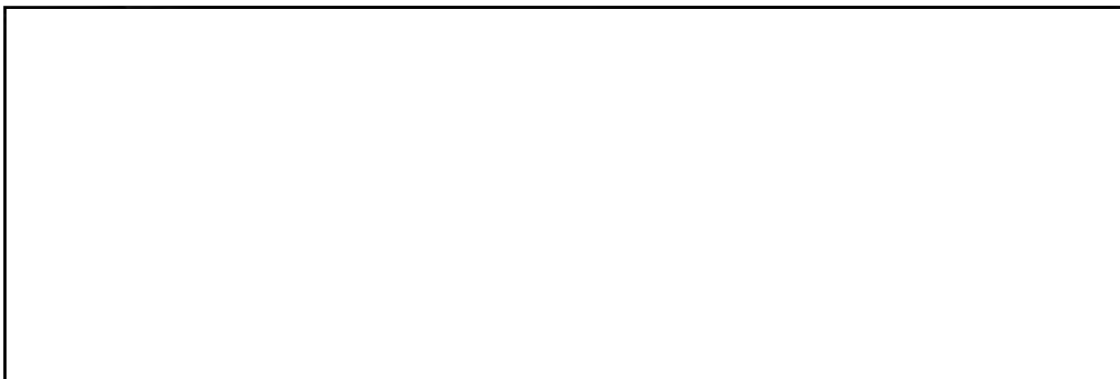
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PANAMA: Torrijos may expropriate US-owned firm.
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*PANAMA: General Torrijos has indicated to US officials that he is seriously considering expropriation of the US-owned power and light company.

Torrijos also stated that the 30-day government take-over of company operations, due to expire today, would be extended for 60 days. During this period the manner in which the government would acquire the company would be negotiated.

Torrijos had ordered government intervention after a serious dispute with the company over rates and finances. The original decree threatened expropriation at the end of the 30-day period unless the company agreed to comply with all Panamanian utility regulations, pay its fuel suppliers, and place shares in escrow to ensure an adequate investment program over the next five years. Since then Boise-Cascade, the parent company, has agreed orally to comply with the Panamanian conditions. A major sticking point in the negotiations, however, had been company insistence on a guaranteed rate of return in order to finance the required investment program.

Extension of the current government take-over past the legislative elections in August is a politically shrewd move that buys time for Torrijos and forecloses none of his options. It is not yet clear that Torrijos has made a final decision. He is sensitive to the need to retain the confidence of foreign investors and is probably reluctant to stretch his government's slender financial resources to cover some \$60 million in compensation and about as much more for needed expansion. Nevertheless, Torrijos is not likely to be very flexible in meeting company demands. He prides himself on being a "revolutionary" and, if domestic political considerations required, he could not afford to do less than Guatemalan President Arana, a rightist who expropriated a US-owned utility company last month.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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